



COMMONWEALTH of VIRGINIA

Philip A. Leone
Director

Joint Legislative Audit and Review Commission
Suite 1100, General Assembly Building, Capitol Square
Richmond, Virginia 23219

(804) 786-1258

June 11, 2001

MEMORANDUM

TO: Philip A. Leone, Director

FROM: Robert B. Rotz, Senior Division Chief

SUBJECT: Request for Changes to Internal Service Fund Rates
by the Department of General Services (DGS)

This memorandum addresses changes in the internal service fund rates that have been recently requested by Mr. Donald C. Williams, Director of the Department of General Services (DGS). DGS' request includes changes in the labor rates for the special maintenance services provided by the department, as well as changes in the rental rates that are charged to tenants of buildings operated and maintained by DGS' Bureau of Facilities Management. Aside from building maintenance and repair labor rates and rental rates, DGS is requesting no other overhead rate changes for its internal service funds at this time. A letter from the director of DGS that requests these rate changes is provided as Attachment A to this memorandum.

FY 2002 Building Maintenance and Repair Labor Rates

The approved FY 2001 and the proposed FY 2002 labor rates for Bureau of Facilities Management personnel are shown toward the top of the next page. The requested hourly rates reflect changes in the salary costs associated with DGS personnel who provide these types of services and changes in fringe benefit costs.

The labor rates submitted by DGS appear to accurately reflect the hourly charges that would be necessary to cover the hourly compensation costs of the personnel employed for these purposes. The assumptions and

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calculations supporting the requested labor rates appear to be both appropriate and accurate. **Therefore, I recommend that the Commission approve the new labor rates requested by DGS, to be effective July 1, 2001.**

<u>Trade</u>	<u>Approved FY 2001 Rate</u>	<u>Requested FY 2002 Rate</u>	<u>Percent Change</u>
Security	\$14.23	\$14.75	3.7%
Housekeeping	16.92	18.20	7.6
Grounds Worker	18.47	18.93	2.5
Painter	21.19	22.06	4.1
Plumber	21.39	22.59	5.6
Sheet Metal	23.20	23.20	0.0
Carpenter	21.64	23.31	7.7
Electrician	21.27	23.45	10.2
HVAC Mechanic	24.19	25.49	5.4
Project Management	35.42	36.38	2.7

Rent Plan Rates for FY 2002

The table below provides the rent plan rates approved for FY 2001 and those requested by DGS for FY 2002. The requested increases in rates are primarily attributable to increases in salaries and utility costs, and are consistent with the rates contained in DGS' biennial Rent Plan.

<u>Type of Space</u>	<u>Approved FY 2001 Rate</u>	<u>Requested FY 2002 Rate</u>	<u>Percent Change</u>
Office	\$10.79	\$11.00	1.9%
Storage	3.75	3.75	0.0
Library	8.20	8.60	4.9
Mansion Complex	12.00	12.60	5.0
Laboratory	18.00	18.90	5.0
Vacant	6.08	6.08	0.0

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I recommend approval of the changes in rent plan rates that have been requested by DGS, to be effective July 1, 2001. These rates provide revenues to meet the estimated costs of DGS services as given in its FYs 2001-2002 Rent Plan, except for vacant space costs. In contrast to the other rates, which are charged to user agencies, the cost of vacant space is paid for through a General Fund appropriation to DGS. According to DGS staff, the FY 2001 appropriation for vacant space was approximately \$1.5 million less than projected expenses because the vacant space rate was not applied to the total amount of vacant space in FY 2001. The Department of Planning and Budget was unable to address this problem during the past budget cycle; therefore, DGS will have to adjust its expenditures and service levels to remain within budget. DGS reported that some services have already been reduced, such as the frequency of carpet replacement, exterior building cleaning, and interior and exterior painting.

RBR/lbf